

ZAMFARA STATE OF NIGERIA

Report

OF THE

AUDITOR - GENERAL



FOR

LOCAL GOVERNMENTS

ON IPSAS CASH

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

BIRNIN MAGAJI LOCAL GOVERNMENT

IN

ZAMFARA STATE

FOR THE

YEAR ENDED

31st December 2019

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OFFICE OF THE AUDITOR GENERAL FOR LOCAL GOVERNMENTS ZAMFARA STATE OF NIGERIA

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1.0 **INTRODUCTION**

1.1 **MANDATE:**

In my certification of the financial statements (accounts) generated by the local government, I subjected the reliability of the statements to the extent of my observations raised on the treasury records. What I am presenting to the public accounts committee, here under are those observations.

In this wise, each financial statement (hereby attached) is to be read in conjunction with these observations for easy comprehension.

In accordance with section 92 of the local government law 2012 of the Zamfara state and section 24 of the public finance (control and management) act 1958 as amended, the account submitted to the office of the Auditor General for local government by the Director of Finance have been certified correct as mandated by the law, but subjected to some observations made in this report.

1.2 **SUBMISSION OF REPORTS:**

The correct Annual Accounts of the local government for the year 2019 was submitted to this office on 20th August, 2020

1.3 **PREVIOUS AUDITOR'S GENERAL REPORTS:**

The previous year's i.e. 2018 financial audit report was submitted to the Honorable House of Assembly on 6th November, 2019 by this office for their oversight function and further necessary action.

2.0 **OTHER OBSERVATIONS**

2.1 **ANNUAL ESTIMATES:**

The delay in the distribution of the approved estimates has become a tradition, as in almost every year it was submitted between the month of June and July of the year.

2.2 **EXPENDITURE MANDATES:**

In the course of the period under review, there was a fiscal working relationship between the state Government and the fourteen Local Governments. The legal framework for this arrangement was largely defined by the memorandum of understanding consented to by the Chairmen. Major projects executed fall under the existing framework.

2.3 PERSONNEL EMOLUMENT REGISTER (P.E):

This important record was observed to be fairly maintained by the local government. A situation that had helped in reducing the previous state of affairs with regard to management and control of personnel emoluments. The document should be properly use so that the ghost workers phenomenon bedeviling the local government could be overcome in totality.

2.4 UN APPROPRIATED REVENUE::

During the year under review it was observed that, the sum of N **673,405,729**(Six hundred and seventy -three million, four hundred and five thousand, seven hundred and twenty -nine Naira) was received from Excess Paris club refund by the local government, but the revenue was not refereed for proper appropriation. It was expended without proper appropriation.

2.5 TRANSFER FROM OTHER GOVERNMENT AGENCIES: During the year under review the sum **₦829,756,061** (Eight hundred and twenty-nine million, seven hundred and fifty -six thousand, sixty -one Naira) was reported by the local government as transfer from Accountant General (MOF) FAAC Account and University Special project. Observation arising from this transfer revealed that, what the transfer is meant for has not been stated, weather it is loan to the local government or repayment of loan by the state government. More over this fund represent 30% of the total actual statutory allocation of the local government.

2.6 ACCOUNTING RECORDS:

During the year under review, it was observed that, there was fearful maintenance of the books of accounts and other accounting records by the local government. The manner in which this aspect was handled by the local government is fairly commendable. Some of the observations made includes the following:

- a. **Entries in the cash books:** It was observed that the cash books maintained for the period under review were fairly maintained and are free from mistakes and unnecessary cancellations. Only that, the cash books were not balanced and closed at the end of every month. Also bank reconciliation between cash book and bank statements surpass a very serious neglect in this local government.
- b. **NonClassification of revenues and expenditure in accordance with IPSAS codes:** According to what I observed, internally generated revenues of the local government and the statutory allocations were not captured in the cash books in accordance with IPSAS code classification. Equally, recurrent and capital expenditure of the local government surpass the same defect as that of revenue. It was observed that, there was a mixed up in the codification of revenue and expenditure, sometimes old method of Head and Sub head is use while sometime IPSAS codes are used for recording of income and expenditure in the cash book and other books of account, despite the fact that the local government budget was prepared according to IPSAS approved format.
- c. **Outstanding Payment Vouchers:** For the under review, the only payment vouchers that stood as outstanding in this local Government are those of Staff salaries. Local government staff salaries were posted in the cash books, but the payment vouchers were not made physically available for my scrutiny. For the year under review the sum N **557,290,641** (Five hundred and fifty -seven million, two hundred and ninety thousand, six hundred and forty -one Naira) was paid as personnel cost by the local government.
- d. **Plant Register:** The local government did not keep the register of its plants and machineries. The operation of this register in any organization is central to the proper control of this type of asset. It also makes the disposal of the asset to be made in a most prudent manner. Conversely, the non-operation of the register by the local government had negated the basis of accountability.

2.7

CERTIFICATION OF RETIRING BENEFITS:

It is a mandate for this office to receive, process and raised an authority for payment of retirement benefits. During the period under review 14 files were received from this local government , whereonly files were given approval from both the local Government and LGEA with consist of 12 voluntary/compulsory retirement and 2 death staff with the ir total benefits standing at **₦8,275,671(Eight million, two hundred and seventy-five thousand, six hundred and seventy -one Naira)**. Out of these amounts the sum of **₦ 3,162,444(Three million, one hundred and sixty-two thousand, four hundred and forty-four Naira)**. stood as total claims for 7number local government staff.While L G E A staff totaling7number gulfed the sum of **N 5,113,227.00 (Five million,one hundred and thirteen thousand, two hundred and twenty-seven Naira)**.

2.8

RECOVERIES MADE OUT OF PENSION AND GRATUITY:

In the course of processing the pension files, instances of wrong computation that invariably result into over payment of pension benefits, were detected. It has been a routine to this office for this types of over payment together with tho se of over stay in the service, to be deducted out of the individual pensioner's benefit. Therefore, this office was able to save the sum **₦1,268,317.00(One million ,two hundred and sixty-eight thousand,three hundred and seventeen Naira)** for the pension funds.

2.9

INVESTMENTS:

As at 31st December, 2019 the investment value stood at **₦91,842,143.00**(Ninety-one million, eight hundred and forty -two thousand, one hundred and forty-threenaira). The investment holding is as shown below: -

S/N	NAME OF THE COMPANY	VALUE 2019(₦)	VALUE 2018 (₦)
1	Gamji (Oceanic) Bank	45,000	45,000
2	First Bank Plc	29,700	29,700
3	CCNN Sokoto	69,828	-
4	Sokoto mortgage finance	45,000	69,828
5	SICL Communication	130,000	45,000
6	Ashaka Cement Co	41,240	-
7	U.A.C Nig. Plc Lagos	130,000	130,000
8	FSB International Bank	-	-
9	Bank Of the North (Unity Bank Plc)	41,240	41,240
10	Zamfara Investment Co.	2,000,000	2,000,000
11	T/Mafara Bricks B. Ind.	2,000,000	2,000,000
12	Intercontinental Bank	1,350,000	1,350,000
13	Bright way Solid Min. Dev. Co	86,131,375	86,131,375
	TOTAL	91,842,143	91,842,143

2.10

REPAYMENT OF EXTERNAL LOANS (INCLUDING SERVICES)

The sum of **₦94,383,562.00** (Ninety-four million, three hundred and eighty-three thousand, five hundred and sixty -two Naira) was paid by the local government for the year under review to various banks as repayment of various loans taken from them.

3.0

BUDGET IMPLEMENTATION ANALYSIS

3.1

STATUTORY ALLOCATION:

During the year under review, the estimated Statutory Receipt of this local government (which consist of Statutory Allocation, VAT, Excess Crude and Excess Paris refund Revenue) was **₦2,368,815,410.00**(Two billion, three hundred and sixty-eight million,eight hundred and fifteen thousand,four hundred and ten naira) while the actual collection for the year was **₦2,752,818,081.00**(Two billion,seven hundred and fifty-two million,eight hundred and eighteen thousand,eighty-one naira). The actual revenue represents almost 116.2 % of the projected revenue. Also this can be seen below: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)
1.	Statutory Allocation	1,830,861,632.00	1,973,914,130	1,599,418,160
2.	VAT	381,477,105.00	391,472,360	409,473,244
3.	Excess Crude Oil	-	-	-
4.	Excess Paris Refund	1,108,852,825.00	-	673,405,729
5.	Non-oil Revenue		3,428,920	70,520,948
	Total	2,939,714,457.00	2,368,815,410	2,752,818,081

3.2 STATUTORY ALLOCATION (SURPLUS):

During the year under review, a surplus of **₦758,498,641.00** (Seven hundred fifty-eight million, four hundred and ninety-eight thousand, six hundred and forty-one Naira) was revealed and it represent 32 % rise on the total projected revenue as can be seen in the table below: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Surplus 2019(₦)
1.	VAT	381,477,105	391,472,360	409,473,244	18,000,884
2.	Excess Paris Refund	1,108,852,825	-	673,405,729	673,405,729
3.	Non-oil Revenue		3,428,920	70,520,948	67,092,028
	Total	1,490,329,930	394,901,280	1,153,399,921	758,498,641

3.3 STATUTORY ALLOCATION (DEFICIT):

In the year under review a deficit of **₦374,495,970.00** (Three hundred and seventy-four million, four hundred and ninety-five thousand, nine hundred and seventy Naira) was revealed as per Statutory Allocation. This represents 15 % shortage of the projected Statutory Allocation revenue as shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)	Deficit2019(₦)
1.	Statutory Allocation	1,830,861,632.00	1,973,914,130	1,599,418,160	374,495,970
	Total	1,830,861,632.00	1,973,914,130	1,599,418,160	374,495,970

3.4 INDEPENDENT REVENUE:

During the year under review, the estimated Independent Revenue of this local government was **₦122,365,320.00** (One hundred and twenty - two million, three hundred and sixty-five thousand, three hundred and twenty Naira) **while** the actual collection for the year was **₦20,611,084.00** (Twenty million, six hundred and eleven thousand, eighty-four Naira) The actual revenue represents 16.8% of the projected Independent revenue. The details are as per table below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)
1.	Direct Taxes	-	-	1,466,762
2.	License	44,334,769	29,129,070	437,159
3.	Mining Rents	-	-	-
4.	Royalties	-	-	-
5.	Fees	15,993,377	65,526,250	8,206,480
6.	Fines	-	-	2,567,359
7.	Sales	-	11,350,000	-
8.	Earnings	24,163,623	12,360,000	5,966,630
9.	Sales/Rent on Govt. Buildings	-	-	-
10.	Sales/Rent on Lands & Others	7,658,165	2,000,000	642,890
11.	Investment Income	8,986,820	2,000,000	746,221
12.	Interest Earned	-	-	577,584
	Total	101,136,754	122,365,320	20,611,084

3.5 INDEPENDENT REVENUE (SURPLUS):

In the year under review, independent revenue revealed a Surplus of **₦4,034,121.00** (Four million, thirty-four thousand, one hundred and twenty-one Naira). The table below give full details: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019 (₦)	Surplus 2018 (₦)
1.	Direct Taxes	-	-	1,466,762	1,466,762
2.	Fines	-	-	2,567,359	2,567,359
	Total	-	-	4,034,121	4,034,121

3.6

INDEPENDENT REVENUE (DEFECIT):

In the year under review, independent revenue revealed a Deficit of **₦106,365,940.00**(One hundred and six million, three hundred and sixty-five thousand, nine hundred and forty Naira). The table below gives full details: -

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019 (₦)	Actual 2019(₦)	Deficit 2019 (₦)
1.	Licenses	44,334,769	29,129,070	437,159	28,691,911
2.	Fees	15,993,377	65,526,250	8,206,480	57,319,770
3.	Sales	-	11,350,000	-	11,350,000
4.	Earnings	24,163,623	12,360,000	5,966,630	6,393,370
5.	Sales/Rent on Lands & Others	7,658,165	2,000,000	642,890	1,357,110
6.	Investment Income	8,986,820	2,000,000	746,221	1,253,779
	Total	101,136,754	122,365,320	15,999,380	106,365,940

3.7

CAPITAL RECEIPTS:

The Capital receipt of this local government which constitute Transfer from Consolidated Revenue and External Loans of the Local Government was estimated at **₦2,031,675,290.00**(Two billion, thirty-one million, six hundred and seventy-five thousand, two hundred and ninety Naira) during the year under review, but in the actual the sum of **₦1,643,273,189.00** (One billion, six hundred and forty-three million, two hundred and seventy-three thousand, one hundred and eighty-nine Naira) was realized. This represents 80.8% of the total budgeted amount. The details are shown below:

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)
1.	Transfer from CRF	(15,323,503)	1,031,675,290	1,643,273,189
2.	External Loans LGC	717,420,262	1,000,000,000	-
	Total	702,096,759	2,031,675,290	1,643,273,189

3.8 CAPITAL RECEIPTS (SURPLUS):

During the year under review, a surplus of N 611,597,899 (Six hundred and eleven million, five hundred and ninety -seven thousand, eight hundred and ninety-nine Naira) was recorded in respect of capital receipt by the local government. Its origin was from transfer from Consolidated revenue fund.

3.9 CAPITAL RECEIPTS (DEFICIT):

In the year under review a deficit of N1,000,000,000.00(One billion, Naira) was reported by the Local Government. Which find its origin from External loans of the local government.

3.10 CAPITAL EXPENDITURE:

According to Director of Finance's report for the year under review, the sum of N2,031,675,290.00(Two billion, thirty -one million, six hundred and seventy-five thousand, two hundred and ninety Naira) was budgeted, while on the actual the capital expenditure of the local government stood at N1,509,992,285.00(One billion, five hundred and nine million,nine hundred and ninety-two thousand,two hundred and eighty -five Naira). This represents 74% of the estimated figure. The details are shown as per table below: -

S/N	DESCRIPTION	Actual 2018(₦)	Estimate 2019 (₦)	Actual 2019 (₦)
1.	Administrative Sector	57,244,482.00	666,578,220	350,402,319
2.	Economic Sector	456,300,300.00	722,097,070	269,147,348
3.	Social Services Sector	175,049,103.00	643,000,000	890,442,618
	Total	688,593,884.00	2,031,675,290	1,509,992,285

3.11

EXCESS CAPITAL EXPENDITURE:

During the year under review a savings of N **769,125,623.00** (Seven hundred and sixty-nine million, one hundred and twenty-five thousand, six hundred and twenty-three Naira) was revealed in only two sectors as shown in the table below: -.

S/N	DESCRIPTION	Actual 2018 (₦)	Estimate 2019(₦)	Actual 2019 (₦)	Savings 2019 (₦)
1.	Administrative Sector	57,244,482.00	666,578,220	350,402,319	316,175,901
2.	Economic Sector	456,300,300.00	722,097,070	269,147,348	452,949,722
	Total	772,180,219.00	2,581,669,890.00	688,593,884.00	769,125,623

3.12

CAPITAL EXPENDITURE (DEFICIT):

For the year under review, a deficit of N **247,442,618** (Two hundred and forty-seven million, four hundred and forty -two thousand, six hundred and eighteen Naira) was made in respect of capital expenditure. Which emanate from Social services sector.

3.13

PERSONAL COST (INCL. SALARIES ON CRF CHARGES):

The sum of **₦352,032,790.00** (Three hundred and fifty-two million, thirty-two thousand, seven hundred and ninety Naira) was budgeted by this local government as personal cost for the year. While in the actual the sum of **₦343,597,636.00** (Three hundred and forty-three million, five hundred and ninety-seven thousand, six hundred and thirty-six Naira) was paid to 1,404 staff of the local government and its ADC. This resulted to a savings of **₦8,435,154.00**(Eight million, four hundred and thirty-fivethousand, one hundred and fifty-four Naira).

3.14

OVERHEAD CHARGES:

During the year under review the estimated overhead cost of the local government was **₦430,916,900.00** (Four hundred and thirty million, nine hundred and sixteen thousand, nine hundred Naira). Whereas the actual expenditure for the year stood at **₦557,290,641.00** (Five hundred and fifty-seven million, two hundred and ninety thousand, six hundred and forty-one Naira), this resulted to a deficit of **₦126,373,741.00** (One hundred and twenty -six million, three hundred and seventy -three thousand, seven hundred and forty-one Naira)

3.15

CONSOLIDATED REVENUE FUND CHARGES

The budgeted figure of consolidated revenue for the year under review of this Local Government was **₦414,583,150.00**(Four hundred and fourteen million, five hundred and eighty y-three thousand, one hundred and fifty Naira) while the actual expenditure for the year stood at **₦482,590,867.00** (Four hundred and eighty -two million, five hundred and ninety thousand, eight hundred and sixty-seven Naira). This resulted to a deficit of **₦68,007,717.00**(Sixty-eight million, seven thousand, seven hundred and seventeen Naira).

The table below shows the full details: -

S/N	DESCRIPTION	ACTUAL 2018 (₦)	ESTIMATED 2019 (₦)	ACTUAL 2019 (₦)	DEFICIT 2019(₦)
1.	Primary Sch. Teachers Sal	148,874,942	153,341,190	170,130,279	(16,789,089)
2.	Training Funds	16,516,268	5,505,400	15,994,182	(10,488,782)
3.	Contribution to Emirate	82,581,340	28,000,000	79,970,908	(51,970,908)
4.	Contribution to Pension	86,478,571	58,000,000	85,714,286	(27,714,286)
5.	Common Services	33,032,536	16,000,000	31,988,363	(15,988,363)
6	Agency for Mass Edu. Salary	17,219,964	17,736,560	18,690,802	(954,242)
7	Contri. To Emirate Security		36,000,000	15,000,000	21,000,000
8	Zasiec		100,000,000	65,102,047	34,897,953
	Total	384,703,621	414,583,150	482,590,867	(68,007,717)

3.16

CRF CHARGES- PUBLIC DEBT CHARGE:

During the year under review the estimated Public debt charge of the local government was **₦103,972,600.00** (One hundred and three million, nine hundred and seventy-two thousand, six hundred Naira). Whereas the actual expenditure for the year stood at **₦99,381,464.00** (Ninety-nine million, three hundred and eighty-one thousand, four hundred and sixty-four Naira). This resulted to a savings of **₦110,889,779.00** (One hundred and ten million, eight hundred and eighty-nine thousand, seven hundred and seventy-nine Naira)

4.0

CONCLUSION:

This office is bedeviled with a series of problems which include inadequate cash allocation, lack of functional vehicles and failure of the local government executives to respond to my queries.

5.0 **ACKNOWLEDGEMENT**

I wish to express my sincere gratitude to all staff of this office who contributed immensely in order to make this report a reality. I equally acknowledge with gratitude the co-operation received from Public Accounts committee of state house of assembly for their co-operation and show of interest especially on 2018 report send to the committee by this office. I also acknowledge with gratitude the co-operation given to this office by the Chief Executive and Accounting Officers of the local government and the supervising ministry i.e Ministry for Local Governments and community development.



**ABUBAKAR DANMALIKI CNA
AUDITOR GENERAL
(LOCAL GOVERNMENTS)**

